

Stepping up Europe's 2030 climate ambition

Eurelectric position paper

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

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A Eurelectric position paper

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KEY MESSAGES

1. Eurelectric supports a target of at least 55% GHG emissions reduction by 2030 as proposed by the European Commission. Proportionally to the new climate commitments, the ETS Directive should foster compensatory measures to mitigate associated compliance costs.
2. The power sector calls for clarity as soon as possible on the necessary 2030 regulatory framework to provide predictability and certainty to investors.
3. Policymakers must ensure policy coherence between regulatory instruments and a strengthened, well-functioning ETS system in order to drive cost-effective investments in decarbonised electricity generation in a technologically neutral way.
4. It is critical to swiftly decide on the best way to apply carbon pricing to the heating and road transport sectors to avoid uncertainties on carbon pricing and the ETS.
5. The rate of electrification needs to be accelerated in order to achieve the net-zero target of the European Economy by 2050, proving the urgent need for a dedicated European Electrification Strategy. The electrification rate in the Impact Assessment is insufficient (30% by 2030). To achieve this, Eurelectric calls on the Commission to develop a dedicated Electrification Strategy. In particular the right policies to support the expected strong uptake of electric vehicles are crucial and should allow for a stronger reduction of emissions in the transport sector.

The power sector is committed to deliver carbon neutral power supply well before 2050¹ and to make a key contribution to the decarbonisation of transport, buildings and industry through electrification. **Eurelectric supports the ambition of net-zero greenhouse gas (GHG) emissions in the European economy by 2050² and an at least 55% target of GHG emissions reduction by 2030 as proposed by the Commission.** The revised CO2 target for 2030 will put the EU on track to deliver on climate neutrality by at least 2050 and help meet the objectives of the Paris Agreement, making our continent the undisputed leader of global climate ambition. This will go hand in hand with the upward revision of the EU's 2030 RES and EE targets, as indicated in the Commission's communication on the new 2030 climate ambition, to enable the increased 2030 GHG ambition.

With only 10 years to meet the 2030 climate ambition we urge policy makers to progress swiftly with the update of the EU regulatory framework to provide long-term predictability and certainty to investors in generation, storage, demand-side management and distribution grids. **Eurelectric calls for a coherent policy framework and for additional analysis on the necessary framework including market design.** There is also a need for financial measures to foster energy transition under programs embedded in the Multiannual Financial Framework 2021-2027 and the Next Generation EU instrument. The recovery package provides a unique opportunity to speed up the climate transition and to ensure that the Covid-19 crisis doesn't hamper investments³.

1. The power sector is key to deliver on the 2030 climate ambition

According to the Impact Assessment presented by the Commission the power sector will have a crucial role to deliver on decarbonisation efforts in the next decade: the power sector would reduce relatively more emissions than ESR sectors under a 55% GHG target than it is under a 40% GHG target. The electricity industry will need to invest significantly in clean power generation and transition-enabling solutions to facilitate cost-effective decarbonisation in a technologically neutral way, whilst contributing to sustainable development of the EU economy with competitively priced clean electricity. This shows the urgency to move forward with an adequate carbon pricing, resolute direct and indirect electrification measures, a faster and streamlined permitting process across the EU to support a higher deployment rate for RES⁴, as well as investments in the distribution grids and the integration of energy and information technologies. Policymakers must ensure policy coherence between regulatory instruments and a strengthened and well-functioning ETS system, to drive cost-effective investments in decarbonised electricity generation.

The acceleration of the transition in the power sector is necessary and comes at the right time. While the Commission Impact assessment delivers a good overview over the needed capacity and generation matters to achieve the targets, more analysis is needed on the **impact of this change on European power markets** and electricity price formations in the next decade. Eurelectric is keen to engage on this topic to discuss how a generally market based and competitive environment can be ensured.

¹ Eurelectric, [Power Sector Vision](#), February 2018.

² [European power sector calls for a climate neutral economy by 2050.](#)

³ Eurelectric, [Next Generation EU and MFF – 5 Enablers to Deliver Recovery and Energy Transition](#), October 2020.

⁴ Eurelectric [Statement on RES permitting](#), October 2020.

2. Electrification must be scaled up by 2030

The cost-effective, clean, and smart electrification of the European energy system will be essential to achieve the European Green Deal's objective of climate neutrality by 2050. The next decade will be crucial to ensure that European society reaps the benefits of decarbonised electricity. According to the Impact Assessment, there is only a modest increase in electrification to 30% of final energy consumption by 2030, lower than the 33 to 38% Eurelectric considers necessary for achieving the net-zero target of the European Economy by 2050.

While the electrification rate picks up after 2030 to reach around 50% by 2050, Eurelectric is concerned the electrification potential is not reflected and the rate of electrification needs to be accelerated especially in the long-term decarbonisation view: sectors should be obliged to deliver on electrification rates and targeted efforts should be initiated to accelerate electrification in transport, heating and industry. **To achieve this, Eurelectric calls on the Commission to develop a dedicated Electrification Strategy.** The appropriate policy framework should be in place as quickly as possible to enable the electrification and decarbonisation of end-use sectors, ensuring that the next decade is not a lost one and the avoidance of carbon lock-in investments not aligned with the decarbonisation goals.

3. The revised 2030 regulatory framework must fully support the decarbonisation and electrification objectives

Eurelectric would like to draw attention to the following points regarding the upcoming impact assessments and proposals to revise key legislative instruments:

- Eurelectric calls on the Commission to ensure a consistent approach to the role of **LULUCF carbon sinks and removals** in the context of long term decarbonisation and climate neutrality.
- A clear commitment to a strong **ETS as a core instrument** is crucial and Eurelectric emphasises the importance of a swift review of the ETS. The legislative proposal for the revised EU ETS directive must focus on quickly aligning the Linear Reduction Factor (LRF) with the new EU 2030 climate target and securing a strong Market Stability Reserve (MSR) which can tackle market distortions and policy overlaps also beyond 2023.
- Eurelectric generally supports the application of **carbon pricing in other sectors but is wary about implementation**. Current price levels of the EU ETS will not deliver the needed emissions reductions, especially in the road transport sector. Incentives for electrification & decarbonisation should therefore also be investigated via other carbon pricing options for these sectors, as well as the review of the taxation directive. In addition, a number of issues need to be addressed as an extension of the ETS to the road transport and building sectors would have an impact on carbon price, by raising broader questions over the supply of allowances and new demand patterns from new market participants that will impact the carbon price. Policy makers must quickly clarify the best way to apply carbon pricing to these sectors (burden sharing between ETS and non-ETS sectors, combined solutions or separate system, gradual approach)⁵.

⁵ Eurelectric, [Powering the Green Deal through a robust ETS and effective carbon pricing](#), April 2020.

- Member States with high carbon intensity and low GDP/capita levels will face significantly higher investment needs to comply with the new European Green Deal commitments. Proportionally to the new climate commitments, the ETS Directive should foster **compensatory measures** like for example the Modernisation Fund and Solidarity mechanism to mitigate associated compliance costs for the transformation of the energy generation in Member States concerned.
- The review of the **Renewable Energy Directive** should be an opportunity to stimulate the use of renewable electricity in transport and buildings while keeping a consistent approach with the Energy Efficiency Directive⁶.
- The review of the **Energy Efficiency Directive** should allow for a lower Primary Energy Factor (PEF) as a high PEF for electricity is acting as a barrier for the decarbonisation of the heating, transport and other sectors. Energy Efficiency measures should be designed to compensate low income households for disproportionate effects of other energy policies and they could be funded via revenue recycling raised via other policies⁷.
- The review of the **Energy Taxation Directive** should give the opportunity to better allocate the weight of taxes on the different energy carriers in order to encourage and promote the decarbonisation, particularly through electrification of the economy and the use of electric solutions at consumer level. The need to address the issue of disparities between energy carriers should allow for a proper reflection of the externalities of fossil fuels. Taking into account the real climate impact of all energy carriers and ensuring a level-playing field between them is essential. Other sectors which are not exposed to a meaningful carbon price signal could be incentivised either by potentially extending the ETS scope or by carbon pricing measures, using the most efficient tool for each sector. The introduction of the CO₂ component must be done in coordination with EU-ETS in order to have a complementary, harmonised and holistic framework. The new framework should also ensure full consistency with the new Carbon Border Adjustment Mechanism.
- Eurelectric noted in the Impact Assessment the relatively low contribution of the **road transport** sector to GHG emissions reduction by 2030 (around 16% vs 2015) as well as the low renewable energy target for transport (around 24% including multipliers). Electrification of transport within an increasingly cleaner electricity mix is the most effective, efficient and sustainable way to decarbonise the sector, reduce its dependence on fossil fuels imports from outside Europe and eliminate air pollution. Clean and smart electrification in the transport sector must be at the core of the Green Deal: EVs are rapidly getting better and cheaper. With the development of a rapid EV charging infrastructure on the strategic road network⁸ and innovative charging solutions for those without off-street parking, EVs will become the default car of choice for new purchases in the 2020s as their upfront costs decline and drivers take advantage of their lower operational costs and ability to charge at home. Fleet vehicles given their regular use, sensitivity to cost and proportion of new sales will play a central role in this transition. With the right support, EU and national

⁶ Eurelectric, [Feedback to the roadmap in the form of an inception impact assessment of the Renewable Energy Directive](#), September 2020.

⁷ Eurelectric, [Feedback to the combined roadmap and inception impact assessment of the Energy Efficiency Directive](#), September 2020 & [E-quality. Shaping an inclusive energy transition](#), May 2020.

⁸ Eurelectric, [Charging infrastructure in Europe fit for the next decade: five key priorities](#), April 2020.

policymakers could unlock EV uptake, and allow them to make a much larger contribution to the EU's GHG target than outlined in the IA.

- For **industry**, the Impact Assessment also shows a limited contribution to the reduction of GHG emissions by 2030 (around 22%) mainly driven by the use of more energy efficient processes and to a lesser extent due to fuel switching from fossil fuels to electricity. In addition to this development, Eurelectric would like to highlight the potential for direct electrification of a series of industrial processes. Indirect electrification, e.g. via producing hydrogen from electrolysis is important to support the decarbonisation of industry and heavy duty transport. Sustainable hydrogen from carbon free electricity can be used to replace carbon-based feedstock in refineries, steel and ammonia production as well as fossil fuels in long-haul trucks, ships and possibly planes⁹. In this regard, Eurelectric would like to highlight the discrepancies between the Impact Assessment for the higher 2030 climate ambition and the ambition in the Hydrogen Strategy adopted in July 2020 (up to 13 GW in the Impact Assessment scenarios vs 40 GW in the Hydrogen Strategy by 2030).
- The Impact Assessment clearly states that it is not looking in depth at **carbon leakage** out of Europe and that this will be done in the context of the Impact Assessment under preparation that will look at a **Carbon Border Adjustment Mechanism**. Carbon leakage is an issue for the power sector and a Carbon Border Adjustment Mechanism could limit carbon import to the EU electricity system. Designing criteria for carbon border adjustment mechanisms would need to be workable and in compliance with international trade agreements¹⁰.

⁹ Eurelectric, [An EU strategy for smart sector integration](#) & [EC Consultation on the Hydrogen Strategy Roadmap](#) June 2020.

¹⁰ Eurelectric, [Carbon Border Adjustment: opportunities to complement efforts under the Green Deal](#), March 2020.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



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